

18

# **Commentary...** **North Hill Golf Course** **Expansion Economic** **Feasibility**

By ad hoc North Hill Expansion Committee

In addition to protecting the environmentally sensitive acreage on and surrounding the North Hill property and the quality and quantity of our groundwater resources, the Ad Hoc North Hill Expansion Committee will present to Town Meeting a proposal for expansion to 18 holes which will not impact the tax base and will pay for itself without negative financing.

In April, 1993, RKG Associates Inc, economic, real estate, and planning consultants, presented to the Town of Duxbury a Report on the Economic Feasibility for a Proposed Expansion of the North Hill Golf Course. This analysis was performed for the town for \$4,700 and addresses the financial feasibility and long term impact on net municipal revenues resulting from the proposed expansion. The Expansion Committee used the RKG report as a baseline for developing an operational pro-forma for the first 10 years of operation, assuming the first full year of operation would occur in 1997, and showing the impact of constructing a clubhouse in 1999.

Members of the Expansion Committee toured the property with Philip Wogan, a golf course architect, and consulted with a hydrogeologist from Horsley & Witten Inc. to develop a scope of services for the design, construction and environmental protection for a 9 hole addition to the North Hill Country Club. The new 9 would be located southeast of the existing course and would be tied in with the present 9 hole course. The estimated costs for expansion are:

Construction	\$870,000
Hydrological Study & Plans	50,000
Engineering & Mapping	105,000
Course Design & Specs	40,000
15% Contingency	152,750

**TOTAL \$1,224,750**

The pro-forma conservatively projects that 31,982 rounds (18-hole equivalent) would occur in the first year of operation, 18,590 non-member and 13,982 member rounds. By the 10th year it is estimated that the total will increase to 42,683 rounds. Pricing assumptions for

Duxbury Clipper, Wednesday, March 1, 1995

NORTH HILL GOLF CLUB SUMMARY of PROJECTIONS 10 YEARS										
CASH FLOW YEAR	1	2	3	4	5	6	7	8	9	10
CALENDAR YEAR	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>PROJ. ANNUAL 18 HOLE ROUNDS:</b>										
Green Fees Rounds	18,590	22,308	24,539	25,735	27,022	27,260	27,532	27,775	28,019	28,266
Member Rounds	13,392	14,002	14,417	14,417	14,417	14,417	14,417	14,417	14,417	14,417
<b>TOTAL ANNUAL ROUNDS</b>	<b>31,982</b>	<b>36,370</b>	<b>38,956</b>	<b>40,152</b>	<b>41,439</b>	<b>41,677</b>	<b>41,949</b>	<b>42,192</b>	<b>42,436</b>	<b>42,683</b>
<b>REVENUES:</b>										
Membership Income	\$143,175	\$154,577	\$159,987	\$165,587	\$171,383	\$177,381	\$183,589	\$190,015	\$196,665	\$203,549
Green Fees Income	\$446,160	\$554,131	\$630,878	\$685,606	\$745,083	\$778,872	\$814,194	\$851,118	\$889,716	\$930,065
Cart Revenue	\$97,625	\$114,905	\$127,383	\$135,889	\$145,153	\$151,096	\$157,405	\$163,858	\$170,574	\$177,572
Range Revenue	\$31,138	\$37,170	\$41,771	\$45,396	\$49,334	\$52,131	\$55,106	\$58,259	\$61,619	\$65,200
Clubhouse Revenue (includes pro shop & restaurant)	\$175,901	\$207,036	\$229,519	\$244,845	\$261,537	\$272,246	\$283,613	\$295,240	\$307,341	\$319,949
<b>TOTAL REVENUES</b>	<b>\$893,999</b>	<b>\$1,087,819</b>	<b>\$1,189,537</b>	<b>\$1,277,323</b>	<b>\$1,372,490</b>	<b>\$1,431,726</b>	<b>\$1,493,907</b>	<b>\$1,558,490</b>	<b>\$1,625,916</b>	<b>\$1,696,334</b>
<b>CASH OUTLAY</b>										
Operating Expenses	\$681,910	\$731,688	\$769,847	\$804,170	\$843,353	\$877,367	\$913,002	\$949,911	\$988,350	\$1,028,397
Replacement Reserves	\$27,500	\$42,800	\$44,359	\$45,976	\$47,652	\$49,391	\$51,195	\$53,065	\$55,005	\$57,017
Debt Service	\$93,000	\$75,583	\$180,759	\$189,278	\$188,735	\$192,769	\$188,693	\$180,619	\$174,544	\$168,469
<b>TOTAL CASH OUTLAY</b>	<b>\$802,410</b>	<b>\$850,071</b>	<b>\$994,965</b>	<b>\$1,039,423</b>	<b>\$1,079,740</b>	<b>\$1,119,928</b>	<b>\$1,159,890</b>	<b>\$1,183,598</b>	<b>\$1,217,899</b>	<b>\$1,253,883</b>
<b>TOTAL REVENUE AVAILABLE</b>	<b>\$91,589</b>	<b>\$217,768</b>	<b>\$194,573</b>	<b>\$237,900</b>	<b>\$292,749</b>	<b>\$312,199</b>	<b>\$343,017</b>	<b>\$374,894</b>	<b>\$408,016</b>	<b>\$442,451</b>

greens fees, cart fees, practice range fees, pro shop sales and restaurant sales per round are based on data presented in the RKG Report and considered slightly below comparable existing courses in the area.

Based on the above assumptions, annual gross revenues from all sources are projected to be \$894,000 during the first year of operations and reach a level of \$1,372,490 at "maturity," by the 5th year. Annual gross revenues are projected to approach \$1.69 million by the end of the 10 year forecast.

Projected expenses in the pro-forma include all costs including personnel, fringe benefits, administration, and course maintenance. Also included are replacement reserves for equipment, furnishings and building improvements. Annual operating expenses and reserves range from \$709,000 in the first year to \$1.08 million in the 10th year of the pro-forma.

Debt service includes short and long term borrowing for the proposed irrigation project for the existing 9-hole course; all construction costs for the expansion project, \$1.3 million; and the impact of constructing a new

clubhouse after 2 full years of operation. For purposes of the forecast, long term borrowing was estimated at an annual percentage rate of 6.75, which is considered high.

Cash available after expenses, reserves, and payment of debt service is \$92,000 in the first year of operation; \$293,000 at "maturity," the 5th year; and \$442,000 in the 10th year of the forecast. Beyond 10 years, initial debt service will be reduced and the facility can be reasonably expected to continue to operate profitably over its remaining useful life.

The projections of rounds of play and resultant income and expenses for the expanded operation of the golf course are considered to be conservative when compared to fee structures and actual performance of other 18-hole municipal golf courses. Although conservatively estimated, the financial analysis clearly demonstrates that the proposed expansion would be a financially viable operation, and can be expected to generate significant revenues to the Town's general fund over the 10-year forecast period and beyond.

